

## Message Text

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ACTION NEA-06

INFO OCT-01 SS-14 ISO-00 NEAE-00 EUR-10 PM-03 DODE-00

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P R 211107Z MAR 74

FM AMEMBASSY ISLAMABAD

TO SECSTATE WASHDC PRIORITY 3862

INFO AMEMBASSY ANKARA

AMEMBASSY DACCA PRIORITY

AMEMBASSY COLOMBO

AMCONGEN KARACHI

AMCONGEN LAHORE

AMEMBASSY LONDON PRIORITY

AMEMBASSY MOSCOW

AMEMBASSY NEW DELHI PRIORITY

AMEMBASSY TEHRAN PRIORITY

CINCPAC

C O N F I D E N T I A L SECTION 01 OF 02 ISLAMABAD 2756

LIMDIS

CINCPAC FOR POLAD

E.O. 11652: GDS

TAGS: PFOR, EAID, EIND, PK, BG, IN, XF, XO

SUBJ: BHUTTO ON FOREIGN AND DOMESTIC POLICY AND DEBT RESCHEDULING

1. PRIME MINISTER BHUTTO, UPON SHORT NOTICE, ASKED THAT I CALL UPON HIM LATE YESTERDAY AFTERNOON AT HIS HOME. I ASSUMED SOMETHING SPECIAL WAS AFOOT. NOT SO. AFTER PLEASANT CHIT-CHAT ON SUCH THINGS AS MICE AND MEN HE SAID HE HAD JUST ASKED ME OVER TO KEEP IN TOUCH AS HE HADN'T BEEN ABLE TO SEE ME FOR AWHILE. I HAD A STRANGE FEELING THAT HE WAS INTERESTED IN MY GENERAL MOOD (THIS WAS OUR FIRST MEETING SINCE THE SUMMIT) JUST AS I WAS OF COURSE IN HIS. HE FOUND  
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ME IN GOOD SPIRITS, EXCEPT FOR AN OCCASIONAL INVOLUNTARY

"OUCH". UPON LEAVING MY HOUSE TO SEE HIM I HAD SLIPPED ON FRESHLY PAINTED FIRST STAIR STEP AND WENT TUMBLING DOWN THE ENTIRE FLIGHT ONTO A MARBLE FLOOR, FROM WHICH THE PAINTERS HAD ALSO CONVENIENTLY REMOVED THE RUG.

2. THERE FOLLOWS A BRIEF SUMMARY OF ITEMS OF INTEREST IN TOTAL CONVERSATION OF SOMEWHAT OVER AN HOUR.

A. BHUTTO HAD NO INSIDE DOPE ON STATE OF MUJIB'S HEALTH, BUT FEARS REPORTS OF THROAT CANCER MIGHT BE CORRECT. A POLISH OFFICIAL HAD GONE THROUGH KARACHI THE DAY BEFORE WHO SAID HIS APPOINTMENT WITH MUJIB HAD BEEN CANCELLED BECAUSE "HE COULD NOT TALK WELL." ALSO HE (BHUTTO) HAD HAD A GOOD-WILL MESSAGE DIRECT FROM MUJIB UPON HIS DEPARTURE FOR MOSCOW IN WHICH MUJIB HAS SAID HE WAS GOING FOR "TREATMENT." BHUTTO SAID HE FELT SOMETHING OMINOUS ABOUT HIS USE OF THAT WORD.

B. BHUTTO IS CLEARLY CONCERNED ABOUT ANY FURTHER DELAY ON THE PART OF BANGLADESH AND INDIA ON RETURN OF THE 195. HE SAID HE HAD TAKEN QUITE A GAMBLE ON THIS DOMESTICALLY AND HAD GOT AWAY WITH IT WELL IN VIEW OF GENERAL ATMOSPHERE OF THE LAHORE SUMMIT. IF EVENTS CAUSED ANY APPRECIABLE FURTHER DELAY, HOWEVER, HE WAS GOING TO BE VERY VULNERABLE BEFORE HIS OPPOSITION AND PAK PUBLIC OPINION. HE SAID THEY WILL SAY THAT "I HAD BEEN TAKEN IN." I SAID THAT I CERTAINLY HOPED THAT MUJIB'S FOREIGN MINISTER WOULD HAVE AUTHORITY AT THE APRIL 5 MEETING TO SETTLE THINGS, AS IT DID NOT SEEM ALL THAT COMPLICATED. BHUTTO SAID HE CERTAINLY HOPED SO, BUT IT WAS CLEAR THAT HE IS NONETHELESS CONCERNED THAT THERE MAY BE FURTHER DELAYS. (I AGREE HE IS OUT ON A LIMB ON THIS ONE, AND ANY LONG DELAY COULD CAUSE HIM TO RECEIVE SEVERE DOMESTIC CRITICISM.)

C. BHUTTO ASKED IF AZIZ AHMED HAD FILLED ME IN ON DELICATE MATTERS THEY FACED RE THE U.S., IRAN AND TURKEY AT THE LAHORE SUMMIT, AND THEIR EFFORTS TO SEE THAT THINGS COME OUT AS WELL AS POSSIBLE. (THIS HAS SINCE BEEN PROVEN BY OTHER INTELLIGENCE.) I SAID HE HAD, AND CONGRATULATED HIM ON HIS EXCELLENT PARLIAMENTARY TACTICS IN KEEPING CONFERENCE ROLLING SMOOTHLY.

D. HE ASKED IF I HAD RECEIVED HIS POSITION ON DIEGO GARCIA. I SAID I HAD, THAT IT WAS STRAIGHT-FORWARD AND CLEAR - AND APPRECIATED. HE SAID OTHERS (HE MENTIONED SRI LANKA AND CONFIDENTIAL

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INDIA, THROUGHINDIRECT MEANS) HAD URGED NEGATIVE PUBLIC PAK POSITION. WE TALKED A BIT ABOUT THE PROJECT ITSELF AND SOVIET INCREASING NAVAL POSTURE ON WHICH HE SEEMED WELL BRIEFED.

E. BHUTTO ASKED ABOUT OUR POSITION ON SURPLUS RUPEES AND I GAVE HIM JUST A HINT OF POSITION MACDONALD GAVE AFTAB AHMED KHAN (STATE 50591) BUT TOLD HIM I WAS IN NO POSITION TO BE SPECIFIC AS YET.

F. HE MENTIONED WITH SOME EMOTION GENERAL PAK AND HIS OWN PERSONAL CONCERN OVER WORLD BANK DEBT RESCHEDULING PLAN. HE SAID HE HAD OVERRULED SOME OF HIS ADVISERS IN PAST, PARTICULARLY ON MATTERS RELATED TO THE ONE YEAR INTERIM RELIEF PLAN, BY SAYING ALL WOULD COME OUT ALL RIGHT WHEN THERE WAS A FINAL SETTLEMENT FOR ALL OF FORMER PAKISTAN. HE SAID HE NOW FELT HE WAS MORALLY JUSTIFIED IN OBJECTING TO THE CURRENT PROPOSAL. IN RESPONSE TO REQUESTS WHICH WE DIDN'T SEEM TO BE ABLE TO MEET IN THE MILITARY SUPPLY FIELD, WE OFTEN MENTIONED THAT OUR GREAT ASSISTANCE TO PAKISTAN WAS ECONOMIC, AND HE HOPED THAT THE U.S. COULD BE HELPFUL ON THIS ONCE. I TOLD HIM QUITE FRANKLY THAT THERE WERE PARTS OF THE WORLD BANK REPORT WHICH I THOUGHT WERE NOT GOOD ENOUGH. I SAID THEY WOULD HAVE THE OPPORTUNITY TO GIVE THEIR VIEWS DIRECTLY TO A WORLD BANK REPRESENTATIVE SOON, AND ASSUMED THEY WOULD DO SO. I SAID AS FOR OURSELVES, WE STOOD BY OUR EXPRESSED POSITION OF WANTING TO SEE PAKISTAN RECEIVE SYMPATHETIC TREATMENT IN THIS EXERCISE.

G. BHUTTO ABRUPTLY (AS WE HAD DRIFTED BACK TO MICE AND MEN AND SOME LOCAL SCANDAL THAT DOESN'T BELONG IN OUR ARCHIVES) SAID "CURIOSITY KILLED THE CAT, BUT I GUESS NOT YOU AMERICANS. YOU HAVEN'T ASKED ME WHAT HAPPENED IN THE PUNJAB THAT I DISMISSED CHIEF MINISTER KHAR." I SAID I WAS FULL OF CURIOSITY BUT CONSIDERED THAT AN INTERNAL MATTER WAS STRICTLY HIS OWN BUSINESS. HE SAID QUITE SO, BUT SINCE YOU PLAY THE RULES SO WELL I WILL TELL YOU. HE WENT THROUGH HIS PAST RELATIONSHIPS WITH KHAR, HOW HE (BHUTTO) HAD HELPED HIM GET STARTED (EVEN WRITING HIS FIRST POLITICAL SPEECH), OF KHAR'S COMPLETE DEVOTION AND LOYALTY TO HIM, ETC. - AND INDEED OF HIS OWN CONTINUING FRIENDSHIP FOR KHAR.

HE SAID, HOWEVER, THAT KHAR HAD BECOME A PROBLEM, PARTLY DUE TO HIS OWN IMMATURITY, THAT STRUCK AT FUNDAMENTALS. HE WENT BACK THROUGH THE FAILURE OF THE POLITICAL SYSTEM IN  
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PAKISTAN IN THE 1947-1958 PERIOD TO WORK WELL - AND NOW IT HAD TO WORK WELL. THE SENSITIVE PROBLEM HAD ALWAYS BEEN THE DISTRIBUTION OF POWER BETWEEN THE CENTRAL GOVERNMENT AND THE PROVINCES. PAKISTAN NOW HAD A NEW CONSTITUTION AND THEY JUST HAD TO MAKE IT WORK, AND WORK WELL.

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CIAE-00 INR-10 NSAE-00 RSC-01 EB-03 AID-10 NSC-07

NSCE-00 DRC-01 /066 W

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P R 211107Z MAR 74

FM AMEMBASSY ISLAMABAD

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AMEMBASSY TEHRAN PRIORITY

CINCPAC

C O N F I D E N T I A L SECTION 02 OF 02 ISLAMABAD 2756

LIMDIS

CINCPAC FOR POLAD

HE SAID KHAR HAD DONE VERY WELL FOR A PERIOD OF TIME,  
BUT THEN WENT ON TO ASSUME POWERS THAT SHOULD BE RESERVED  
FOR THE CENTRAL GOVERNMENT. IF THIS SORT OF THING HAPPENED  
IN THE LESSER PROVINCES IT WAS NOT TOO IMPORTANT AND  
MANAGEABLE. BUT IF THE ALL IMPORTANT PUNJAB BEGAN TO  
ASSERT ITSELF OVER THE CENTRAL GOVERNMENT THIS RAISED  
A VERY FUNDAMENTAL QUESTION OF DISINTEGRATION FROM WITHIN WHERE  
IT COULD HURT. HE GAVE SEVERAL EXAMPLES OF ACTIONS OF KHAR,  
THAT WERE MATTERS FOR CENTRAL GOVERNMENT ACTION, OR AT LEAST  
PRIOR APPROVAL, THAT HAD CAUSED CONSIDERABLE LOCAL REACTION  
WHICH INVARIABLY CAME TO HIM. EACH TIME (EIGHT IN ALL) WHEN  
QUESTIONED KHAR HAD SAID "YOU DON'T TRUST ME SO I WILL RESIGN."  
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FINALLY BHUTTO SAID OKAY, YOU MUST IN ORDER TO PRESERVE  
SOME VERY IMPORTANT PRINCIPLES OF OUR NEW CONSTITUTION  
ON THE DIVISION OF POWER BETWEEN THE CENTRAL GOVERNMENT AND  
THE PROVINCES. HE SAID HIS REGARD AND FRIENDSHIP FOR KHAR

REMAINS UNCHANGED, BUT KHAR WAS A BIT TOO IMMATURE TO COMPREHEND THE GREATER PRINCIPLES INVOLVED. HE SAID HE HOPED LATER ON THAT KHAR WOULD BE ACTIVE AGAIN, PERHAPS IN THE CENTRAL GOVERNMENT, BUT THAT IT WAS TOO EARLY AS YET TO SEE.

I TOLD HIM THAT I HAD CONCLUDED THAT IT HAD ALL BEEN DONE WITHOUT BITTERNESS AS KHAR HAD RECEIVED ME ON A NORMAL COURTESY CALL IN LAHORE THE VERY NEXT MORNING AFTER ALL THIS HAD HAPPENED. WE TALKED A BIT ABOUT THE PROBLEMS WE HAD HAD IN OUR OWN HISTORY ON THE ISSUE OF "STATES RIGHTS."

H. MY MOST DIRECT NEEDLE CAME AS WE WERE TALKING ABOUT VAST SUMS OF MONEY THAT WOULD BE REQUIRED TO SOLVE SOME OF PAKISTAN'S REALLY BASIC LONG RANGE PROBLEMS. I SAID I HAD HOPED HE COULD GET SOME ARAB OIL PROFITS ON FAVORABLE TERMS (HOPING HE MIGHT CLUE ME IN ON ANY DEVELOPMENTS ON THE RUMORED ARAB-PAK-FRENCH DEAL ON ARMAMENT PRODUCTION). HE CASUALLY SAID HE HOPED SO, BUT NOTHING WAS FINALIZED AS YET.

I. HE ASKED IF I HAD ANY THOUGHTS FOR HIM AND FOR PAKISTAN. I SAID YES, BUT ASKED THAT HE UNDERSTAND THAT MY MOTIVES WERE ENTIRELY FRIENDLY IN EXPRESSING THEM. HE URGED THAT I PROCEED. I TOLD HIM THAT HIS OFFICIALS WERE JUST TOO REPEAT TOO DAMN GOOD AT THE ART OF NEGOTIATION. HE SAID, HOW COULD THAT POSSIBLY BE? I SAID BECAUSE THEY WOULD LET THINGS DRAG OUT A YEAR OR TWO TO GET THE LAST POSSIBLE CONCESSION BEFORE CONCLUDING A BUSINESS DEAL. I SAID THE WORLD WAS MOVING TOO FAST FOR THIS, AS WHEN THEY GOT THAT LAST DETAIL TO THEIR SATISFACTION, THEY FOUND THAT IN THE MEANTIME PRICES HAD GONE UP SOME 15 TO 30 PERCENT AND THEY WERE THE NET LOSERS. I CITED ONE CASE WHERE NEGOTIATIONS ON A FERTILIZER PLANT HAD TAKEN TWO YEARS, AND SPECULATED ON WHAT THOSE TWO LOST YEARS COULD HAVE MEANT TO THEM TODAY. I URGED THAT THEY PROTECT THEIR BASIC INTERESTS WITH TENACITY, BUT NOT WORRY SO MUCH ABOUT DETAILS AND GET THINGS MOVING. (HE SAID HE KNEW THAT ESSO WAS NOT INETERESTED IN EXPANSION, AS THEY THOUGHT THE WELL-HEAD PRICE OF GAS WAS TOO LOW. I TOLD HIM IT WAS.)  
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HE SAID THAT IT HAD JUST SAID WHAT HE HAD TOLD HIS PEOPLE OVER AND OVER AGAIN. HE THANKED ME, SAID HE ACCEPTED THIS AS FRIENDLY ADVICE WHICH HE WOULD INDEED KEEP IN MIND.

3. ALL THIS MAY SOUND LIKE A VERY LONG INTENSE DISCUSSION. NOT AT ALL - THINGS WITH BHUTTO MOVE VERY, VERY FAST INDEED.  
BYROADE

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## Message Attributes

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